

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 EB-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 /113 W

----- 042018

R 040919Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6645

DEPT OF TREASURY WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS TOKYO 1714

PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF JAN 28-
FEB 4

1. SUMMARY: THIS WEEK'S STATISTICS RECONFIRM THAT ECONOMIC
RECOVERY STALLED IN FOURTH QUARTER. CPI TOOK BIG JUMP IN
JAN DUE TO MORE THAN USUAL SEASONAL RISE IN VEGETABLE
PRICES AND OTHER TEMPORARY FACTORS. OFFICIAL RESERVES
ALSO ROSE IN JAN, FOR THE FIRST TIME IN SIX MONTHS.

2. DEC DEPARTMENT STORE SALES FELL 2.7 PERCENT ON
SEASONALLY ADJUSTED BASIS. DDECLINE FROM NOV LEVEL IS
SAID TO REFLECT RELATIVELY SMALL YEAR-END BONUSES PAID BY
FINANCIALLY HARD-PRESSED CORPORATIONS AND MUNICIPALITIES.
MOOD OF CONSUMERS REMAINS CAUTIOUS, AND DEPARTMENT STORE
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SALES INDEX (JEI 302) HAS REMAINED BELOW JULY PEAK OF

235.0 (1970-100) FOR PAST FIVE MONTHS.

(INDEX, S.A.) (PCT. CH. FROM PRIOR MONTH)

OCT	227.9	0.4
NOV	234.6	2.9
DEC	228.3	MIN 2.7

3. AVERAGE PROPENSITY TO SAVE (JEI 361) ROSE IN NOV. INCREASE FROM UNUSUALLY LOW FIGURE RECORDED IN PRIOR MONTH WAS FURTHER INDICATION OF GENERALLY CAUTIOUS MOOD OF CONSUMERS. NOV PROPENSITY TO SAVE WAS SLIGHTLY BELOW AVERAGE OF THE FIRST ELEVEN MONTHS OF 1975 OF 23.7 PERCENT.

AVERAGE PROPENSITY TO SAVE

(S.A. PCT. OF DISPOSABLE INCOME)

SEP 25.3

OCT 22.1

NOV 23.4

4. FOURTH QUARTER PRODUCTION AND SHIPMENTS SHOWED NO INCREASE FROM JULY-SEPT. MEANWHILE PRODUCERS' INVENTORIES OF FINISHED GOODS CONTINUE TO RISE. IN CALENDAR YEAR 1975 INDEX OF MINING AND MANUFACTURING INDUSTRIAL PRODUCTION (JEI 212) ROSE AT HEALTHY RATE DURING FIRST HALF OF YEAR BUT HAS SINCE STALLED AT LEVEL REACHED IN JULY. SHIPMENTS (JEI 239) CONTINUED TO INCREASE PAST MID-SUMMER BUT NOW APPEAR TO HAVE STAGNATED. MEANWHILE PRODUCERS' INVENTORIES OF FINISHED GOODS, WHICH HAD DECLINED DURING FIRST HALF OF YEAR, HAVE BEEN RISING THESE PAST SIX MONTHS. TRENDS IN PRODUCERS' SHIPMENTS FOR DIFFERENT TYPES OF GOODS SHOWS SOME DIVERGENCE BETWEEN CAPITAL GOODS AND CONSUMER PRODUCTS. SHIPMENTS OF CONSUMER NONDURABLES INCREASED SHARPLY IN APR-JUNE 1975 BUT HAS NOT ADVANCED SINCE SPRING. CONSUMER DURABLES, HOWEVER, HAVE CONTINUED TO INCREASE THROUGHOUT THE YEAR ALTHOUGH THERE WAS A SLIGHT EASING OF THE PACE OF ADVANCE IN THE FINAL MONTHS OF 1975 WHEN AUTO SALES FELL SLIGHTLY. PRODUCERS' SHIPMENTS OF CAPITAL GOODS HAVE CONTINUED STAGNANT THROUGHOUT THE YEAR, REFLECTING THE RELUCTANCE OF JAPAN'S BUSINESS COMMUNITY TO INVEST IN NEW MANUFACTURING CAPACITY IN THE FACE OF SLOWER LONG-TERM GROWTH. BECAUSE

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OF THE CURRENT DEPRESSED STATE OF INDUSTRIAL PRODUCTION, THE INDEX OF MANUFACTURING CAPACITY UTILIZATION (JEI 278), WHICH HAD REGISTERED SUCCESSIVE INCREASES IN THE SECOND AND THIRD QUARTERS OF 1975, IS UNCHANGED SINCE LATE SUMMER.

(PERCENT CHANGE FROM PRIOR QUARTER)

JEI JAN-MAR APR-JUN JULY-SEP OCT-DEC

IND. PROD.	212	-8.5	4.0	2.9	0.1
PROD. SHIP.	239	-6.1	4.6	1.6	0.5
(CONS. NON-DUR)	244	-2.3	7.2	-1.3	1.4
(CONS. DUR)	243	-1.1	4.3	2.4	1.7
(CAP. GOODS)	240	-6.8	0.7	-2.5	1.6
INVEN. OF FIN-					
SHED GOODS	246	-0.5	-4.8	0.5	1.9
CAPACITY UTILI					
ZATION					
INDEX (1970-					
100)	278	77.5	81.1	83.5	83.2A
(NOTE: A-OCT-NOV AVERAGE)					

5. CONSUMER PRICE INDEX FOR TOKYO (JEI 422) RECORDED SHARP 2.1 PERCENT JUMP IN JANUARY. AFTER TWO MONTHS OF DECLINE, JAN RISE PUTS YEAR-TO-YEAR PRICE RISE BACK INTO DOUBLE DIGIT RANGE. IT WAS PRIMARILY DUE TO 21.8 PERCENT JUMP IN VEGETABLE PRICES AFTER PROTRACTED DROUGHT IN TOKYO AREA. HIGHER PRICES FOR TOBACCO AND FISH AS WELL AS HIKE IN PRIVATE RAILWAY FARES ALSO CONTRIBUTED TO JUMP IN CPI. DEPUTY PM FUKUDA INSISTED THAT PRICE UPSURGE WAS STRICTLY DUE TO TEMPORARY SEASONAL FACTORS AND THAT OVERALL TREND OF RETAIL PRICES IS TOWARD STABILITY.

INDEX (1970-100, NSA)	PCT. CHANGE FROM PRIOR MONTH
NOV 176.4	- 0.6
DEC 176.1	- 0.2
JAN 179.8	2.1

6. GOJ BOND YIELDS DECLINED VERY SHARPLY IN JAN AND STOOD AT 8.607 PRCENT PER ANNUM AT END OF THE MONTH, THE LOWEST IN MORE THAN TWO YEARS. BOND MARKET HAS BEEN VERY BULLISH SINCE THE OPENING OF THE YEAR DESPITE LARGE GOJ DEFICIT FINANCING, AND YEKDLDS OF OTHER BONDS ALSO UNCLASSIFIED

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DECLINED BELOW THE 9 PERCENT LEVEL IN JAN: YEIDLD ON TELEPHONE AND TELEGRAPH BONDS STOOD AT 8.800 PERCENT PER ANNUAM AT END OF THE MONTH AND YIELD ON CORPORATE BONDS 8.690 PERCENT.

GOJ BONDS, YIELD TO MATURITY
(YIELD IN PERCENT: AT MONTH-END)

1975-NOV	9.169
DEC	9.024
1976-JAN	8.607

7. OFFICIAL RESERVES INCREASED IN JAN. AFTER FIVE CONSECUTIVE MONTHS OF DECLINE, RESERVES INCREASED IN JAN BY \$338 MIL TO \$13,153 MIL.
HODGSON

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NNN

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